

## Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 IO-13 ISO-00 L-03 FRB-03 OMB-01 ITC-01

SP-02 USIA-06 AGRE-00 AID-05 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 OIC-02 SIL-01 STR-04 TRSE-00 CIEP-01

CEA-01 /073 W

-----171925 080678 /40

R 171130Z FEB 77

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 1342

INFO USMISSION GENEVA

LIMITED OFFICIAL USE NEW DELHI 2406

EO 11652: NA

TAGS: ETRD, UNCTAD, IN

SUBJ: INDIAN VIEWS ON STATUS OF NEGOTIATIONS ON

UNCTAD INTEGRATED PROGRAM

1. MINCOMMERCE JOINT SECRETARY S.P. SHUKLA AND HIS DEPUTY FOR UNCTAD R. BADRINATH DISCUSSED RESULTS OF UNCTAD MEETINGS ON COMMON FUND AND INDIVIDUAL COMMODITIES WITH EMBOFF FEBRUARY 16.

2. COMMON FUND: BADRINATH, WHO HAD ATTENDED JANUARY MEETING ON COMMON FUND, REMARKED ON PASSIVE PARTICIPATION OF US DELEGATION. THIS HAD UNDERScored FOR GOI FACT THAT NEW US ADMINISTRATION WOULD HAVE TO REACH ITS OWN POLICY POSITION ON INTEGRATED PROGRAM. THUS EXPECTATIONS HAD RISEN FOR DEVELOPMENTS AT THIRD PREPARATORY MEETING AND NEGOTIATING CONFERENCE. WITH REGARD TO LATTER, SHUKLA NOTED IT WOULD LAST FOUR WEEKS "IF THERE IS ANYTHING TO NEGOTIATE."

3. DURING COURSE OF CONVERSATION, SHUKLA EMPHASIZED THE ROLE WHICH COMMON FUND SHOULD PLAY IN FINANCING

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DEVELOPMENT ASPECTS OF INTEGRATED PROGRAM RATHER THAN BUFFER STOCKS. HE SAID THAT SUCH ASPECTS OF TRADE AS PRODUCTION RESEARCH, MARKET AND END-PRODUCT DEVELOPMENT, AND PLANT MODERNIZATION WERE ALL CRITICAL ELEMENTS. HE RECOGNIZED THAT DC'S COUNTERARGUED THAT USE OF COMMON FUND FOR THESE PURPOSES WOULD DUPLICATE EXISTING INSTITUTIONS. BUT IN GOI VIEW, IFI'S WERE INADEQUATE FOR

TWO REASONS. FIRST, THEY WORKED ON A COUNTRY-PROJECT FOCUS WHEREAS WHAT WAS NEEDED WAS WORLD-WIDE MARKET FOCUS. A PROJECT WORKED OUT BILATERALLY BETWEEN ONE COUNTRY AND A LENDING INSTITUTION MIGHT VERY WELL BE CONTRARY TO OVERALL COMMODITY TRADE INTEREST. SECOND, EXISTING AGENCIES SUFFERED FROM ADMINISTRATIVE RESTRICTIONS. ASIAN DEVELOPMENT BANK, FOR EXAMPLE, MIGHT BE INTERESTED IN HELPING JUTE INTERNATIONAL, BUT ITS FUNDS COULD NOT BE USED FOR MARKET DEVELOPMENT IN EUROPE. ALMOST ALL UNCTAD COMMODITIES WERE OUTSIDE THE LIMITED GEOGRAPHIC SCOPE OF THE REGIONAL DEVELOPMENT BANKS.

4. LASTLY SHUKLA ARGUED IN FAVOR OF COMMON FUND THAT ESTABLISHMENT OF NEW AID CHANNELS HAD IN FACT STIMULATED HIGHER LEVELS OF AID IN THE PAST. IN IMPLICIT REFERENCE TO OPEC, HE ALSO SAID NEW CHANNELS SERVED AS MECHANISMS FOR NEW DONORS. EMBOFF NOTED THAT THIS WAS NOT ALWAYS THE CASE, AS EVIDENCED BY NUMBER OF NON-OPERATIONAL UN FUNDS.

5. COMMODITY TALKS: SHUKLA FELT MOST HAD GONE WELL. NATURAL RUBBER MEETING LAST MONTH WAS OUTSTANDING IN THAT EACH SIDE COMMENDED THE POSITIONS TAKEN BY THE OTHER. WHILE SHUKLA DID NOT YET KNOW THE RESULTS OF THE RECENT EXPERT MEETING ON JUTE, HE THOUGHT THE EARLIER JUTE TALKS HAD GONE FAR IN DELINEATING AREAS OF AGREEMENT. IN HIS VIEW, THE HARD FIBER MEETING HAD HAD SIMILAR RESULTS. COPPER WAS A DIFFERENT MATTER; MANY PROBLEMATIC ASPECTS OF COPPER TRADE STILL NEEDED LIMITED OFFICIAL USE

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TO BE STUDIED. SURPRISINGLY GIVEN INDIA'S TRADE INTEREST, SHUKLA HAD NO COMMENT ON THE PROSPECTS FOR A TEA AGREEMENT. WHEN EMBOFF REFERRED TO MEETING NOW TAKING PLACE, SHUKLA MERELY NOTED THAT IT WAS AN FAO MEETING.

6. COMMENT: GIVEN THE REALITIES OF INDIAN COMMODITY TRADE, IT IS NOT SURPRISING THAT THE GOI DOES NOT LOOK ON BUFFER STOCKING AS THE KEYSTONE OF THE INTEGRATED PROGRAM. THE METAMORPHOSIS OF THE COMMON FUND INTO A RESOURCE TRANSFER DEVICE WITH A TRADE FOCUS IS MORE CONSISTENT WITH GOI NEEDS AND WOULD SUPPORT ITS VIGOROUS EXPORT PROMOTION POLICY. IT WAS EVIDENT NONETHELESS, THAT SHUKLA AND BADRINATH HAD NOT CONSIDERED FINANCIAL IMPLICATIONS OF SUCH A FUND, ESPECIALLY LINKING ITS DEVELOPMENT PURPOSE WITH CONCURRENT OPERATION OF BUFFER STOCK FINANCING. SCHNEIDER

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## Message Attributes

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